



**Joint Legislative Oversight Committee
on Medicaid and NC Health Choice
March 1, 2016**

**Department of Health and Human Services
Medicaid Financial Update**



Agenda

- SFY16 year-to-date results versus last year
- SFY16 year-to-date results versus authorized budget
- Preliminary draft forecast
- Claims date of service versus date of payment
- Hepatitis C pharmacy expenditures



Executive summary

- **The Medicaid program is \$185 million under budget as of January. This favorable budget variance expanded from last month and is largely driven by three factors:**
 - Lower service consumption by our beneficiaries compared to last fiscal year
 - Enrollment was flat through the first half of the year and remains below budget.
 - Lower costs driven by changes in population profile, clinical policy and legislation
- **DMA has prepared a preliminary draft forecast for SFY16 and SFY17 and expects to complete a final forecast for each by the middle of this month.**



Year-to-date comparison to prior year

For the fiscal year-to-date through January 2016, Medicaid's use of appropriations was \$65M or 3.1% less than this time last year.

Cumulative dollar amount of the favorable variance is \$15M greater than last month, and the primary drivers for the \$65M variance versus last year are listed on the following slide.

MEDICAID THROUGH JANUARY 2016 YTD (\$ millions)				
	SFY2015	SFY2016	Variance	
	YTD	YTD	\$	%
Expenditures	\$7,478	\$7,501	\$23	0.3%
Federal Revenues	\$4,791	\$4,739	(\$52)	-1.1%
Other Revenues	\$614	\$754	\$140	22.8%
State Appropriations	\$2,073	\$2,008	(\$65)	-3.1%
			#	%
Avg. Enrollment (millions)	1.792	1.837	0.045	2.5%

Sources: Actuals for SFY16 from 1/31/16 BD-701, SFY15 from historical BD-701 file, Enrollment from average of DMA point-in-time counts from DMA BIO



Year-to-date comparison to prior year

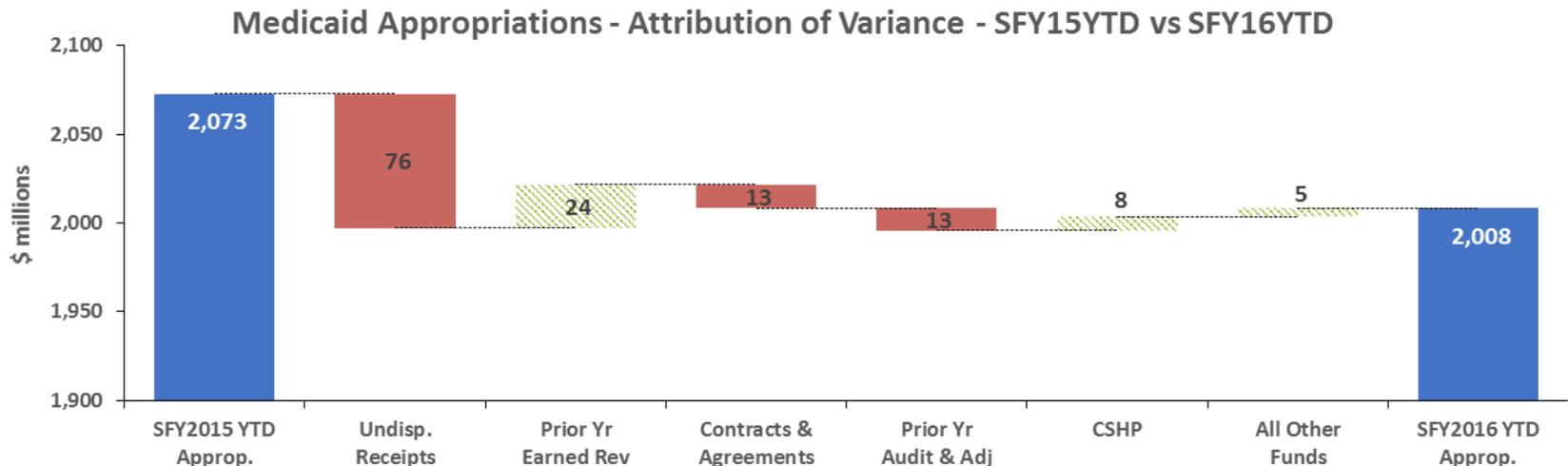
The variance in appropriations versus last year is driven primarily by the following:

Decreases in the use of appropriations

- Timing of certain cost settlements and third party liabilities versus last year (-\$76M)
- One-time payment received for certification of NC Tracks claims system (-\$13M)
- Increased cash on hand for unpaid obligations (-\$13M)

Partially offset by increases in the use of appropriations

- Higher payments for federal share of drug rebates at beginning of this year versus last (+\$24M)
- Timing and type of consolidated supplemental hospital payments (+\$8M)



Sources: Actuals for SFY16 from 1/31/16 BD-701, SFY15 from historical BD-701 file

Year-to-date comparison to authorized budget

For fiscal year-to-date through January 2016, Medicaid's use of appropriations was \$185M or 8.3% less than budget.¹

The equivalent amount last month was \$181M, so a slightly favorable trend. Preliminary results indicate that the variance will be more favorable at the end of February.

MEDICAID THROUGH JANUARY 2016 YTD (\$ millions)				
	SFY16B YTD	SFY16 YTD	Variance	
			\$	%
Expenditures	\$8,047	\$7,501	(\$546)	-6.8%
Federal Revenues	\$5,133	\$4,739	(\$395)	-7.7%
Other Revenues	\$676	\$754	\$78	11.5%
State Appropriations	\$2,238	\$2,008	(\$229)	-10.3%
Unpaid Carryforwards		\$45		
Adjusted Appropriations	\$2,238	\$2,053	(\$185)	-8.3%
			#	%
Avg. Enrollment (millions)	1.929	1.837	(0.092)	-4.8%

¹ After factoring as-of-yet unpaid carryforwards (revenue recognized, but corresponding anticipated expense not yet recognized)

Sources: Actuals from 1/31/16 BD-701, Enrollment from average of DMA point-in-time counts from DMA BIO



Year-to-date comparison to authorized budget

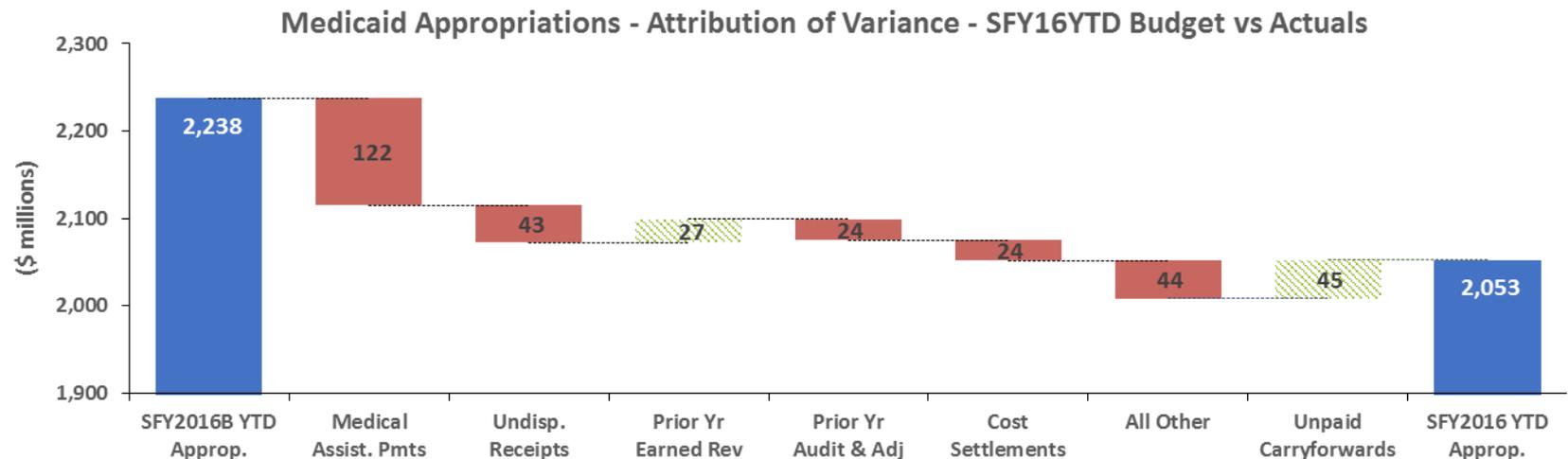
The favorable variance in the use of appropriations versus budget is driven primarily by:

Decreases in the use of appropriations

- Fee-for-service and capitation payments (-122M)
- Program integrity and third party liability collections higher than anticipated (-43M)
- Increased cash on hand to pay unpaid obligations (-\$24M)
- More favorable cost settlements (-\$24M)

Partially offset by increases/expected increases in the use of appropriations

- Payback of unearned receipts (+27M) and expected payments for unpaid obligations (+45M)



Sources: Actuals and Authorized Budget from 1/31/16 BD-701

A closer look at Medicaid claims versus budget

MEDICAID TOP 10 CATEGORIES OF SERVICE BY EXPENDITURE

THROUGH JANUARY 2016 YTD (\$ millions)

Category of Service	SFY16B YTD	SFY16 YTD	Variance		Rank YTD	
			\$	%	Jan.	Dec.
Pharmacy Services ¹	\$627	\$484	(\$143)	-22.8%	1	1
Hospital:						
Inpatient	566	530	(36)	-6.3%		
Outpatient	353	293	(60)	-16.9%		
Hospital Total	919	823	(95)	-10.4%	2	2
Physician Services	662	568	(95)	-14.3%	3	3
Hospital ER	274	216	(59)	-21.4%	4	4
Dental Services	232	214	(18)	-7.9%	5	5
Lab & X-Ray Services	84	68	(16)	-18.6%	6	8
LME/MCO/PIHP	1,527	1,511	(16)	-1.0%	7	N/A
CAP for Disabled Adults	148	138	(10)	-6.8%	8	9
CAP - Children Services	55	64	9	16.0%	9	N/A
Ambulance Services	29	21	(8)	-27.7%	10	N/A
Other	2,046	2,032	(14)	-0.7%		
Total	\$6,604	\$6,140	(\$465)	-7.0%		
			#	%		
Avg. Enrollment (M)	1.929	1.837	(0.092)	-4.8%		

¹ Fund 1310 & Fund 1331 Expenses - Includes Drug Rebates from Manufacturers

When ranked by the cumulative absolute dollar variance from budget year-to-date:

Better than expected drug rebate rates have widened the spread between budget and actuals for Pharmacy Services.

LME/MCO/PIHP, CAP for Children, and Ambulance Services were new to the rankings this month.

An increase that had been anticipated in rates / expenditures for the Buy-in / Dual Eligible programs narrowed the budget to actuals spread - causing it to fall from the list.

The variance for Skilled Nursing Facilities and Personal Care Services also narrowed and they fell off the list.

Sources: 12/31/15 BD-701 Fund 1310 & Fund 1331 Expenditures, Enrollment is average of DMA point-in-time enrollment

A closer look at Medicaid claims versus budget

MEDICAID TOP 10 CATEGORIES OF SERVICE BY EXPENDITURE

THROUGH JANUARY 2016 YTD (\$ millions)

Category of Service	SFY16B YTD	SFY16 YTD	Variance		Rank YTD	
			\$	%	Jan.	Dec.
LME/MCO/PIHP	\$1,527	\$1,511	(\$16)	-1.0%	1	1
Hospital:						
Inpatient	566	530	(36)	-6.3%		
Outpatient	353	293	(60)	-16.9%		
Hospital Total	919	823	(95)	-10.4%	2	2
Skilled Nursing Facilities	707	708	1	0.2%	3	3
Physician Services	662	568	(95)	-14.3%	4	4
Pharmacy Services ¹	627	484	(143)	-22.8%	5	5
Buy-in/Dual Eligible	428	420	(8)	-1.9%	6	6
Personal Care Services	278	276	(2)	-0.6%	7	7
Hospital ER	274	216	(59)	-21.4%	8	9
Dental Services	232	214	(18)	-7.9%	9	8
CAP for Disabled Adults	148	138	(10)	-6.8%	10	10
Other	801	780	(21)	-2.6%		
Total	\$6,604	\$6,140	(\$465)	-7.0%		
			#	%		
Avg. Enrollment (M)	1.929	1.837	(0.092)	-4.8%		

¹ Fund 1310 & Fund 1331 Expenses - Includes Drug Rebates from Manufacturers

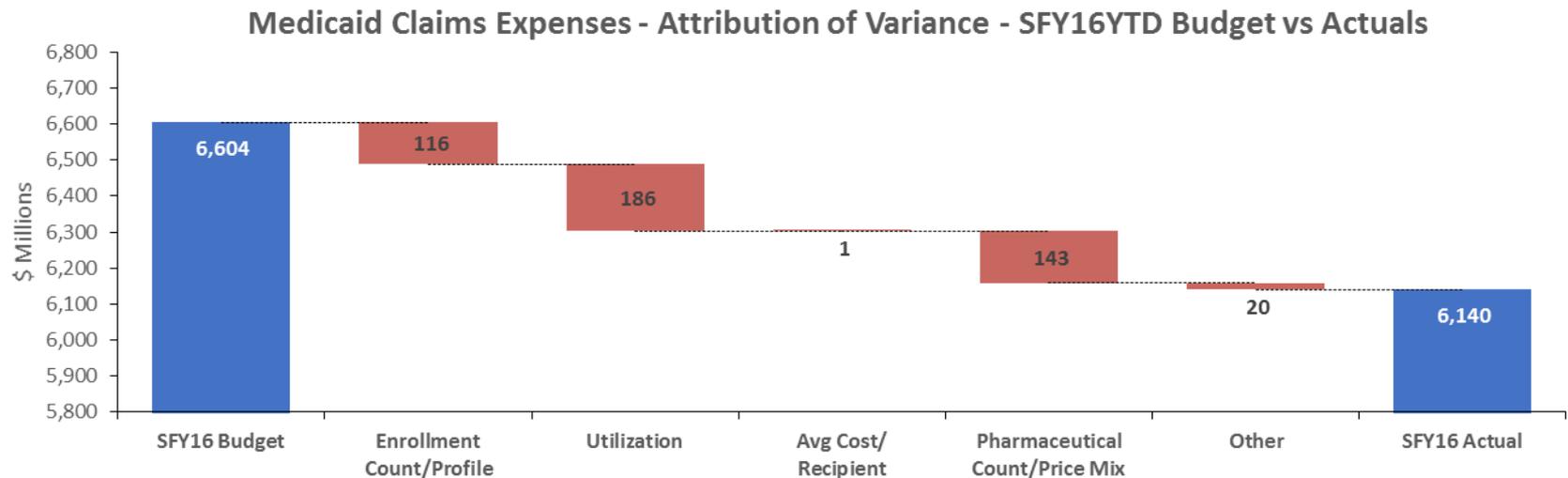
When ranked by the cumulative expenditure amount for SFY16 year-to-date:

As expected, there was not much change in the rankings from last month.

Hospital ER moved slightly ahead of Dental in terms of cumulative expenditures for the current fiscal year.

A closer look at Medicaid claims versus budget

As enrollment increases and moves in a direction back toward budget, the variance to budget becomes more attributable to other factors. Utilization and pharmaceutical count/price mix are becoming more prominent drivers of the variance, and the dollar amounts of the variance attributable to these factors have increased since last month.



Source: Actuals and Budget from 1/31/16 BD-701 Fund 1310 & Fund 1331 Expenditures, DMA Finance Analysis

Preliminary draft forecast

Preliminary budget modeling and analysis indicates that Medicaid's use of appropriations will be between \$252M and \$300M less than the authorized budget for SFY16

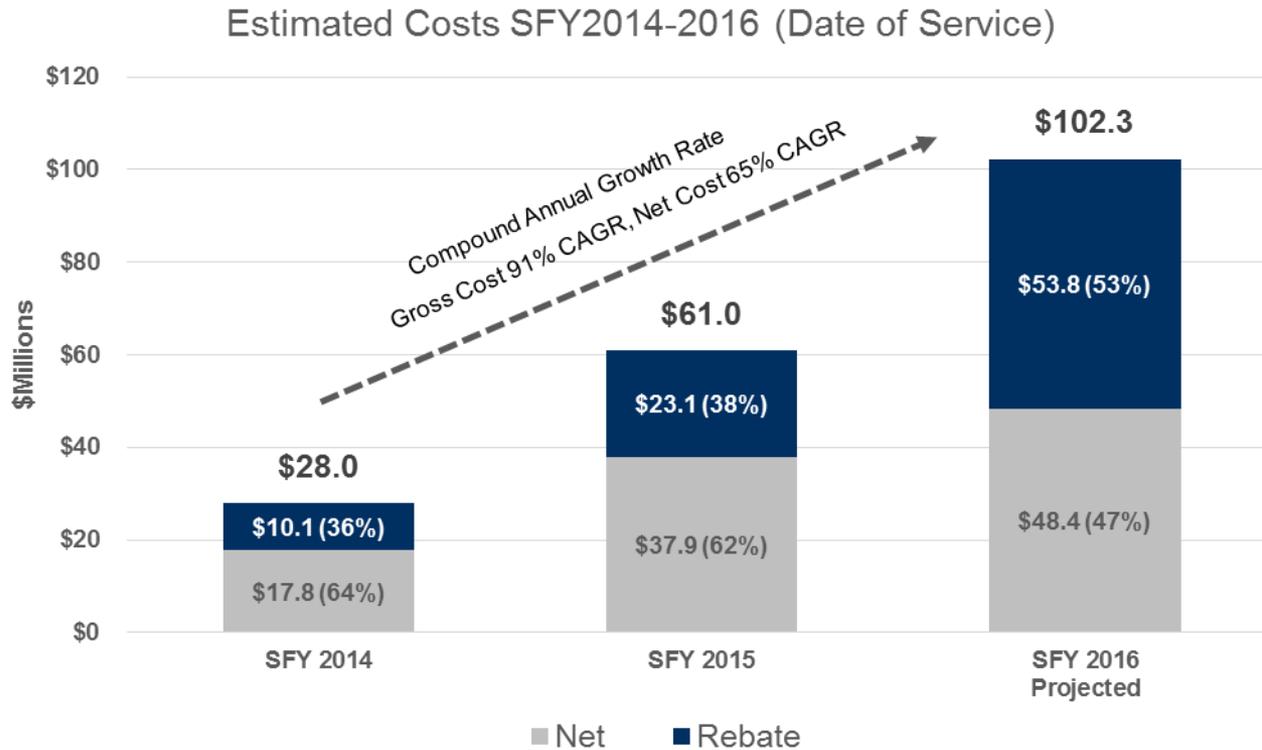
Short Session Preliminary Budget Update		
Favorability	Low	High
\$ Millions	SFY16	SFY16
Forecast	3,512	3,465
+ Legislative Changes	-33	-33
= Reconciled Forecast	3,480	3,432
- Authorized Budget	3,732	3,732
= Variance \$	-252	-300
Variance %	-6.8%	-8.0%

Sources: DMA Budget, DMA FP&A Analysis, SFY16 Budget from 1/31/16 BD-701



Hepatitis C pharmacy cost

Rebates are mitigating some of the increase in Hep-C costs



Sources: Gross cost comes from Data Warehouse, rebate amounts are from GC3 level reporting. 2016 projection provided by Pharmacy.



Hepatitis C pharmacy cost

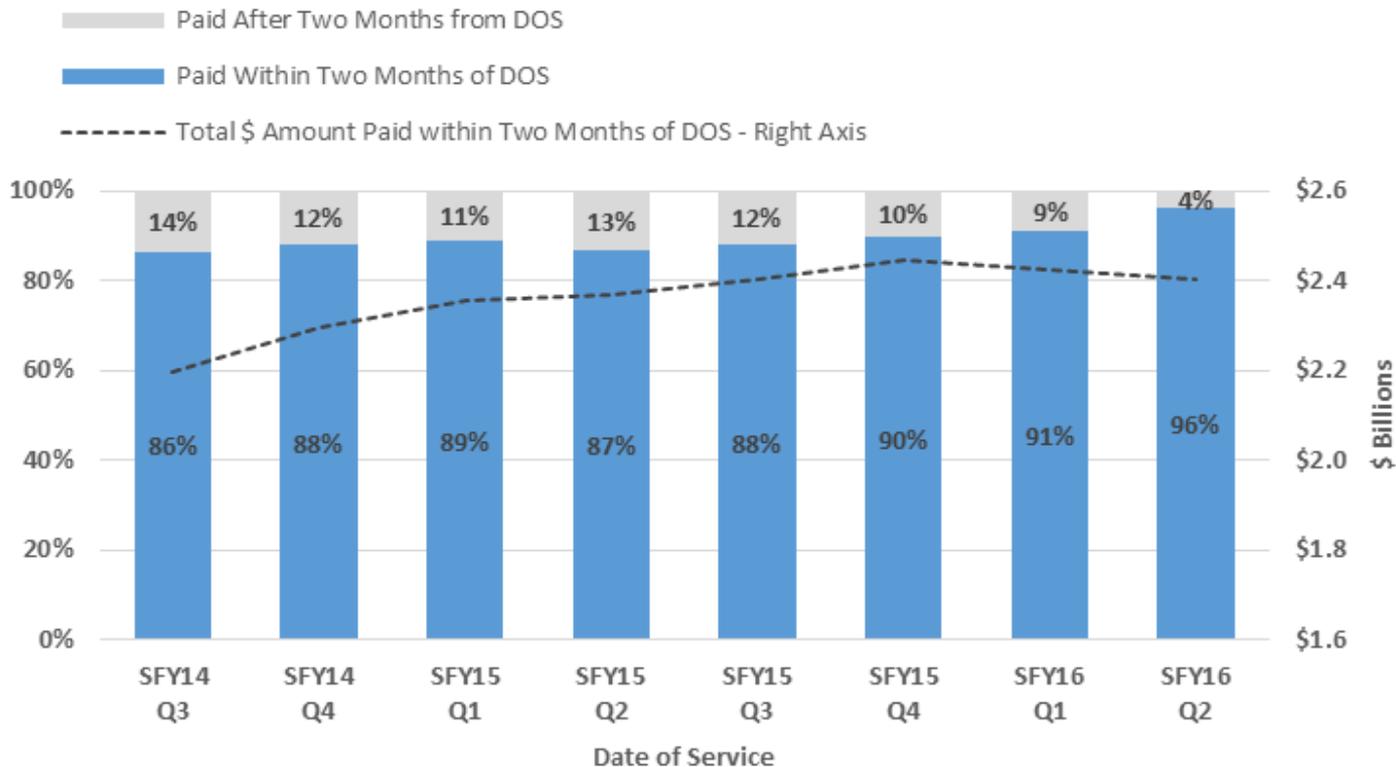
- Utilization is driving the cost due to increased screening for Hep-C, but is managed through the use of prior authorization criteria
- Drug class is being reviewed frequently as new drugs are introduced to the market
- Division of Public Health has developed a strategic plan to address hepatitis C through enhanced epidemiologic surveillance, outreach, education, testing, and linkage to cure
- From SFY 2014 to SFY 2016 utilization is projected to double to about 4,000 recipients
- Average net cost per recipient is projected to increase from around \$33k to \$55k per recipient net of rebates
- DHHS will continue to appropriately monitor, manage, and budget for the costs of these other antivirals

Sources: Gross cost comes from Data Warehouse, rebate amounts are from GC3 level reporting.
2016 projection provided by Pharmacy.



Percentage of claims paid in relation to date of service

The percentage of payments made within the first two months from the date of services has remained around a normal level of 88%. As expected, this percentage increases as we approach the present due to the reduction in time between the date of service and the date of submission. Generally, providers have one year from the date of service to submit a claim.



Source: Claims Lag File from DMA BIO, DMA Finance Analysis